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Message Text

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21
ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 XMB-04

OPIC-06 FTC-01 /117 W
---------- 012816
R 220928Z MAY 75
FM AMEMBASSY BERN
TO SECSTATE WASHDC 718
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 BERN 2096

E.O. 11652: N/A
TAGS: EINV, SZ
SUBJECT: FOREIGN INVESTMENT STUDY ACT OF 1974

REF: STATE 107242

1. SUMMARY: WITH EXCEPTION OF BANKS AND FINANCE COMPANIES, SWITZERLAND HAS NO LAWS OR REGULATIONS CONTROLLING FOREIGN DIRECT INVESTMENT. END SUMMARY.

2. FOLLOWING IS KEYED TO PARA 4 REFTEL WHICH REQUESTED CERTAIN INFORMATION ON DIRECT INVESTMENT IN SWITZERLAND:
(A) WITH A FREE-MARKET ECONOMY HEAVILY DEPENDENT ON FOREIGN TRADE AND INVESTMENT, SWITZERLAND'S BASIC POLICY TOWARD FOREIGN DIRECT INVESTMENT FAVORS FREEST POSSIBLE FLOW OF CAPITAL IN AND OUT OF COUNTRY. CONSEQUENTLY, CURRENT SWISS LAWS AND REGULATIONS PROVIDE NEITHER INCENTIVES NOR SIGNIFICANT BARRIERS TO FOREIGN INVESTMENT. (FOR MORE DETAILS OF GOVERNMENT'S POLICY SEE BERN A-103, APRIL 4, 1974).
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(B) WITH EXCEPTION OF BANKS AND FINANCIAL COMPANIES

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WHICH ARE DISCUSSED BELOW, SWITZERLAND HAS NO FEDERAL LAWS OR REGULATIONS WITH RESPECT TO INCOMING FOREIGN DIRECT INVESTMENT. WHILE FEDERAL GOVERNMENT HAS OCCASIONALLY IMPOSED LIMITED CAPITAL CONTROLS IN ATTEMPT HALT SPECULATIVE INFLOWS, THESE MEASURES TAKEN ONLY WITH GREAT RELUCTANCE AND REMOVED AS SOON AS POSSIBLE. AT PRESENT, EXISTING CAPITAL CONTROLS NOT APPLICABLE TO FOREIGN DIRECT OR PORTFOLIO INVESTMENT WHICH MAY FREELY ENTER COUNTRY. FOREIGN PURCHASES OF SWISS REAL ESTATE UNDER CANTONAL CONTROL. IN THOSE CANTONS WITH LARGE FOREIGN POPULATIONS (E.G., GENEVA, TICINO, ZURICH) IT VERY DIFFICULT FOR A NON-SWISS TO BUY PROPERTY. ALTHOUGH NOT INTENDED TO RESTRICT FOREIGN INVESTMENT, SWISS EFFORTS LIMIT SIZE OF FOREIGN POPULATION WHICH ACCOUNTS FOR 17 PERCENT OF TOTAL POPULATION) HAVE MADE IT INCREASINGLY DIFFICULT FOR FOREIGNERS TO OBTAIN WORK PERMITS. THIS HAS EFFECT OF DISCOURAGING NEW FOREIGN DIRECT INVESTMENT OF FOREIGN FIRMS PLAN EMPLY FOREIGN MANAGEMENT OR OTHER PERSONNEL. (FOR DETAILS OF SWISS WORK PERMIT POLICY AND COPIES OF LATEST REGULATIONS SEE BERN A-269, SEPT. 5, 1974).
(C) APART FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, FEDERAL GOVERNMENT DOES NOT SCREEN, MONITOR, OR OTHERWISE CONTROL FOREIGN DIRECT INVESTMENT. BANKS AND FINANCIAL COMPANIES MUST COMPLY WITH VARIOUS SWISS LAWS AND REGULATIONS AND MUST HAVE PERMISSION OF FEDERAL BANKING COMMISSION TO ESTABLISH IN SWITZERLAND. (FOR DETAILS ON REGULATION OF FOREIGN BANKS SEE BERN 1495, APRIL 19, 1974, AND VARIOUS REFERENCES THEREIN; ALSO SEE BERN A-33 FOR COPY OF MUTUAL FUND LAW). ALL FIRMS, WHETHER FOREIGN OR DOMESTIC, MUST REGISTER WITH APPROPRIATE CANTONAL AUTHORITIES.
(D) FEDERAL GOVERNMENT REGULATIONS MAKE NO DISTINCTION BETWEEN INVESTMENT IN NEW ENTERPRISES AND TAKEOVERS OF EXISTING DOMESTIC-OWNED COMPANIES. INDIVIDUAL FIRMS, HOWEVER, MAY PROHIBIT FOREIGN OWNERSHIP OF REGISTERED SHARES (E.G., SWISSAIR) OR OTHERWISE LIMIT FOREIGN EQUITY POSITION (E.G., RECENT MOVES BY THREE LARGEST BANKS TO ISSUE NEW REGISTERED SHARES WHICH LOSE VOTING RIGHTS IF TRANSFERRED TO FOREIGNERS - SEE UNCLASSIFIED

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BERN A-40).
(E) EMBASSY NOT AWARE OF ANY RECENT REJECTIONS OF APPLICATIONS BY FOREIGN INVESTORS. HOWEVER, FOR REASONS CITED ABOVE AND DUE HIGH LABOR COSTS, THERE IS CURRENTLY VERY LITTLE FOREIGN INTEREST IN DIRECT INVESTMENT IN SWITZERLAND.
(F) FEDERAL GOVT. OFFERS NO INCENTIVES. SEVERAL PREDOMINANTLY AGRICULTURAL CANTONS, HOWEVER, OFFER

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SPECIAL BUT LIMITED TAX, UTILITY AND LAND CONCESSIONS
TO NEW INDUSTRIAL ENTERPRISES. TO BEST OF EMBASSY'S
KNOWLEDGE, THESE INCENTIVES HAVE NOT PRODUCED ANY
SIGNIFICANT FOREIGN DIRECT INVESTMENT.
(G) WITH EXCEPTION OF CERTAIN REGULATIONS IMPOSED
ON FOREIGN BANKS (SEE BERN 1495 AND PREVIOUS REFERRED
TO IN (C) ABOVE), FOREIGN AND SWISS FIRMS RECEIVE EQUAL
TREATMENT.
(H) SWISS COMMERCIAL LAW REQUIRES ALL FOREIGN AND
DOMESTIC CORPORATIONS REGISTERED IN SWITZERLAND TO
PUBLISH ANNUALLY A BASIC BALANCE SHEET AND A PROFIT-
AND-LOSS STATEMENT WHICH ARE USED BY SWISS AUTHORITIES
TO VERIFY CORRECTNESS OF TAX PAYMENTS. THIS IS ALL
OF THE INFORMATION AND DATA FOREIGN INVESTORS ARE
REQUIRED TO SUBMIT TO SWISS GOVERNMENT AGENCIES. AL-
THOUGH TAX INSPECTORS MAY OBTAIN ACCESS TO A FIRM'S
BOOKS IF THERE IS ANY QUESTION OF TAX FRAUD, INSPECTORS
ARE REQUIRED BY COMMERCIAL SECRECY LAWS TO MAINTAIN
CONFIDENTIALITY OF ANY INFORMATION SO OBTAINED. SUCH
INFORMATION MAY NOT BE REVEALED EVEN TO OTHER GOS AGENCIES.
OTHER REGULATORY AGENCIES, SUCH AS BANKING COM-
MISSION, DEPEND ON PRIVATE, INDEPENDENT AUDITORS EM-
PLOYED BY BANKS AND OTHER FIRMS TO REPORT VIOLATIONS
OF NONTAX LAWS AND REGULATIONS. IF AUDITORS FIND BANK
OR FIRM HAS VIOLATED ANY LAWS OR COMMITTED OTHER IRRE-
GULARITIES, THEY MUST FIRST NOTIFY FIRM'S MANAGEMENT
AND SET TIME LIMIT FOR CORRECTION. ONLY IF CORRECTIONS
NOT MADE ARE AUDITORS REQUIRED TO REPORT MATTER TO
APPROPRIATE GOS AGENCY. AUDITORS ALSO BOUND BY BANK
AND COMMERCIAL SECRECY LAWS WHICH MAKE IT A SERIOUS
CRIMINAL OFFENSE TO REVEAL CONFIDENTIAL COMPANY INFORMA-
TION.

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 XMB-04

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OPIC-06 FTC-01 /117 W
---------- 012871
R 220928Z MAY 75
FM AMEMBASSY BERN
TO SECSTATE WASHDC 719
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS

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(I) SWITZERLAND HAS NO SPECIAL POLICY REGARDING DIRECT INVESTMENTS BY OPEC COUNTRIES (SEE BERN 3089, AUG. 19, 1974, AND BERN 1232). GOS DOES NOT MAINTAIN DATA IB FOREIGN INVESTMENT BUT OPEC DIRECT INVESTMENT PROBABLY VERY SMALL OR NONEXISTENT. SOME OPEC COUNTRY FUNDS ARE UNDOUBTEDLY INVESTED IN SWISS CAPITAL AND STOCK MARKETS BUT ACTUAL AMOUNTS IMPOSSIBLE TO DETERMINE.
(J) EXPERT COMMITTEE OF GOS AND PRIVATE MEMBERS HAS BEEN FORMED TO REVIEW PRESENT POLICY ON INWARD INVESTMENT, INCLUDING OPEC INVESTMENTS, AND CONSIDER DESIRABILITY OF NEW MEASURES (BERN 1232). AS INDICATED IN (D) ABOVE, MAJOR SWISS BANKS HAVE ALREADY TAKEN ACTION TO PREVENT FOREIGN TAKEOVERS. IN RECENT VISIT TO SAUDI ARABIA, HIGH SWISS OFFICIALS OBTAINED SAUDI ASSURANCES NOT TO SEEK CONTROL OF SWISS FIRMS AND TO CONSULT ON ANY SUBSTANTIAL MOVEMENT OF SHORT-TERM FUNDS INTO SWISS FRANC (BERN 1716).
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